

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**MOSS SCHOOL DISTRICT NO. I-1,
HUGHES COUNTY, OKLAHOMA**

JUNE 30, 2013

Audited by

**JACK H. JENKINS
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
TULSA, OK**

**INDEPENDENT SCHOOL DISTRICT NO. I-1
HUGHES COUNTY, OKLAHOMA
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-1
HUGHES COUNTY, OKLAHOMA
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-1
HUGHES COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

BOARD OF EDUCATION

President	Randy Fletcher
Vice-President	Scott Price
Clerk	John Welch
Member	Jason Moody
Member	Richard Rambo

SUPERINTENDENT OF SCHOOLS

John Long

**MINUTES CLERK &
SCHOOL DISTRICT TREASURER**

Leslie Lee



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Moss School District No. I-001
Holdenville, Oklahoma 74848-6237

I have audited the accompanying regulatory basis financial statements of Moss School District No. I-001, Holdenville, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2013. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

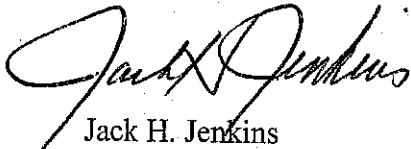
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Moss School District No. I-001, Holdenville, Oklahoma as of June 30, 2013, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group, which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Moss School District No. I-001, Holdenville, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 3, 2013, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Moss School District No. I-001's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by the Oklahoma State Department of Education, and is not a required part of the financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins
Certified Public Accountant, P.C.

October 3, 2013

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2013

<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>			<u>FIDUCIARY FUND TYPES EXPENDABLE TRUST AND AGENCY FUND</u>	<u>ACCOUNT GROUP GENERAL LONG-TERM DEBT</u>	<u>TOTALS</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>			<u>2013</u>	<u>2012</u>
Cash	\$ 229,225	42,156	163,996	39,204		474,581	648,323
Amounts available in debt service					17,791	17,791	9,369
Amounts to be provided for retirement of general long-term debt							
Total Assets	<u>229,225</u>	<u>42,156</u>	<u>163,996</u>	<u>39,204</u>	<u>1,449,609</u> <u>1,467,400</u>	<u>1,449,609</u> <u>1,941,981</u>	<u>1,809,436</u> <u>2,467,128</u>

LIABILITIES AND FUND EQUITY

Liabilities							
Warrants payable	222,990	28,725				251,715	193,027
Funds held for school organizations				39,204		39,204	28,121
Unmatured obligations			146,205			146,205	175,889
Long-term debt:							
Bonds payable					1,385,000	1,385,000	1,660,000
Capital leases					82,400	82,400	158,805
Total liabilities	<u>222,990</u>	<u>28,725</u>	<u>146,205</u>	<u>39,204</u>	<u>1,467,400</u>	<u>1,904,524</u>	<u>2,215,842</u>
Fund Equity							
Cash fund balances	6,235	13,431	17,791			37,457	251,286
Total Liabilities and Fund Equity	<u>\$ 229,225</u>	<u>42,156</u>	<u>163,996</u>	<u>39,204</u>	<u>1,467,400</u>	<u>1,941,981</u>	<u>2,467,128</u>

The notes to the combined financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2013

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES EXPENDABLE TRUST	TOTALS (Memorandum Only)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE		2013	2012
Revenues						
Local sources	\$ 782,919	154,416	306,313	91,577	1,335,225	1,306,052
Intermediate sources	67,451				67,451	66,742
State sources	733,199	2,281			735,480	813,177
Federal sources	253,925	96,487			350,412	372,364
Non-revenue receipts	1,905	9,613			11,518	47,534
Total revenues	1,839,399	262,797	306,313	91,577	2,500,086	2,605,869
Expenditures						
Instruction	1,074,581	1,967			1,076,548	1,087,302
Support services	933,617	109,667			1,043,284	1,180,785
Operation of non-instructional services	26,892	121,848			148,740	172,308
Facilities, acquisition and const. services		38,597		90,077	128,674	40,084
Other outlays	1,905	16,000			17,905	
Repayments		3			3	49
Debt service			297,891		297,891	310,641
Total expenditures	2,036,995	288,082	297,891	90,077	2,713,045	2,791,169
Revenues over (under) expenditures	(197,596)	(25,285)	8,422	1,500	(212,959)	(185,300)
Other financing sources (uses)						
Transfers in (out)	45,364	(43,864)		(1,500)	-	239
Estopped warrants	132	84			216	
Bank charges	(1,086)				(1,086)	(207)
Total other financing sources (uses)	44,410	(43,780)		(1,500)	630	32
Revenue and other sources over (under) expenditures and other uses	(153,186)	(69,065)	8,422	-	(213,829)	(185,268)
Cash fund balance, beginning of year	159,421	82,496	9,369	-	251,286	436,554
Cash fund balance, end of year	\$ 6,235	13,431	17,791	-	37,457	251,286

The notes to the combined financial statements are an integral part of this statement -7-

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - BUDGETED GENERAL FUND
JUNE 30, 2013

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 669,505	827,350	782,919
Intermediate sources	60,466	60,466	67,451
State sources	822,020	822,020	733,199
Federal sources	172,474	172,474	253,925
Non-revenue receipts			1,905
Total revenues	1,724,465	1,882,310	1,839,399
Expenditures			
Instruction	826,992	984,837	1,074,581
Support services	950,638	950,638	933,617
Operation of non-instructional services	103,505	103,505	26,892
Facilities acquisitions and construction	1,015	1,015	
Other outlays	1,736	1,736	1,905
Total expenditures	1,883,886	2,041,731	2,036,995
Revenues over (under) expenditures	(159,421)	(159,421)	(197,596)
Other financing sources (uses)			
Transfers in (out)			45,364
Estopped warrants			132
Bank charges			(1,086)
Total other financing sources (uses)			44,410
Revenue and other sources over (under) expenditures and other uses	(159,421)	(159,421)	(153,186)
Cash fund balance, beginning of year	159,421	159,421	159,421
Cash fund balance, end of year	\$ -	-	6,235

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2013**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 131,898	131,898	154,416
State sources	15,587	15,587	2,281
Federal sources	117,315	117,315	96,487
Non-revenue receipts			9,613
Total revenues	<u>264,800</u>	<u>264,800</u>	<u>262,797</u>
Expenditures			
Instruction			1,967
Support services	101,815	101,815	109,667
Operation of non-instructional services	106,332	106,332	121,848
Facilities acquisitions and construction	41,571	41,571	38,597
Other outlays	65,707	65,707	16,000
Repayments			3
Non-categorical	31,871	31,871	
Total expenditures	<u>347,296</u>	<u>347,296</u>	<u>288,082</u>
Revenues over (under) expenditures	(82,496)	(82,496)	(25,285)
Other financing sources (uses)			
Transfers in (out)			(43,864)
Estopped warrants			84
Total other financing sources (uses)			<u>(43,780)</u>
Revenue and other sources over (under) expenditures and other uses	(82,496)	(82,496)	(69,065)
Cash fund balance, beginning of year	<u>82,496</u>	<u>82,496</u>	<u>82,496</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>13,431</u>

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
REGULATORY BASIS - DEBT SERVICE FUNDS
JUNE 30, 2013**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 288,522	288,522	306,313
Expenditures			
Other outlays			
Debt service	297,891	297,891	297,891
Revenues over (under) expenditures	(9,369)	(9,369)	8,422
Cash fund balance, beginning of year	9,369	9,369	9,369
Cash fund balance, end of year	\$ -	-	17,791

The notes to the combined financial statements are an integral part of this statement

**NOTES TO COMBINED FINANCIAL STATEMENTS -
REGULATORY BASIS**

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

The basic financial statements of the Moss Public Schools, District No. I-1 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies- contd.

B. Fund Accounting - contd.

school facilities, for purchasing security systems, and for paying salaries of security personnel.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs. The District did not maintain this fund during the 2012-13 fiscal year.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment. The District closed this fund during the 2012-13 fiscal year.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting - contd.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts and endowments fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2012-13 fiscal year.

Gifts and Endowments Fund - The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Account Group

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

B. *Fund Accounting* - contd.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

General Fixed Assets Account Group - This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

Memorandum Only - Total Column

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. *Basis of Accounting and Presentation*

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies- contd.**

C. Basis of Accounting and Presentation – contd.

- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities and Fund Equity

Cash - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies;

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies- contd.

E. Assets, Liabilities and Fund Equity – contd.

and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2013 is not material to the combined financial statements-regulatory basis.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies- contd.

E. Assets, Liabilities and Fund Equity- contd.

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, outstanding warrants and unmatured obligations.

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies- contd.

F. Revenue and Expenditures- contd.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies- contd.

F. Revenue and Expenditures - contd.

Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies- contd.

F. Revenue and Expenditures - contd.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. There was a transfer of \$43,864 from the Child Nutrition Fund to the General Fund and a transfer of \$1,500 from the Insurance Recovery Fund to the General Fund during the 2012-13 fiscal year.

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2013, the District held deposits of approximately \$474,581 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

2. Deposits and Investments -- cont'd

- d. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- e. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

There were no investments held at June 30, 2013.

3. General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of building bonds payable and capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

The District has entered into lease agreements as lessee for financing the acquisition of equipment and a bus. The lease agreements qualify as capital leases for accounting purposes, since titles transfer at the end of the lease terms. The leases contain a clause, which gives the District the ability to terminate the lease agreement at the end of each fiscal year. The properties and equipment are collateral for the leases.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2012	\$ 1,660,000	158,805	1,818,805
Additions		-	-
Retirements	275,000	76,405	351,405
Balance June 30, 2013	<u>\$ 1,385,000</u>	<u>82,400</u>	<u>1,467,400</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

3. General Long-term Debt – contd.

A brief description of the outstanding long-term debt at June 30, 2013 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Combined Purpose Bonds, Series 2008, original issue \$2,485,000, interest rate of 2.8-4.5%, due in an initial installment of \$275,000 on June 1, 2012, annual installments thereafter of \$275,000, final payment of \$285,000 due June 1, 2018;	\$ 1,385,000
<u>Capital Leases</u>	
Qualified Zone Academy Bonds for equipment, totaling \$412,000, dated February 17, 2005, interest rate of 1.80%, due in annual principal and interest installments of \$48,616 beginning February 16, 2006, final payment due February 17, 2015;	<u>82,400</u>
Total	\$ <u>1,467,400</u>

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2014	\$ 275,000	44,463	319,463
2015	275,000	35,937	310,937
2016	275,000	27,137	302,137
2017	275,000	18,200	293,200
2018	285,000	9,263	294,263
Totals	<u>\$ 1,385,000</u>	<u>135,000</u>	<u>1,520,000</u>

There was \$52,575 interest paid on general long-term debt incurred during the current year.

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

3. General Long-term Debt – contd.

The annual debt service requirements for the retirement of principal, and payment of interest are as follows:

Year ending June 30	Principal	Interest	Total
2014	\$ 41,200	7,416	48,616
2015	41,200	7,416	48,616
Totals	<u>\$ 82,400</u>	<u>14,832</u>	<u>97,232</u>

4. Employee Retirement System

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-238.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

**INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

4. Employee Retirement System - contd.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, January 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

Annual Pension Cost

The District's portion of the total contributions for 2013, 2012 and 2011 were \$137,550, \$130,189, and \$113,352 respectively.

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

5. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

7. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY
BASIS - COMBINING FINANCIAL STATEMENTS**

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>	
			<u>2013</u>	<u>2012</u>
Cash	\$ 42,156	-	42,156	108,617
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	28,725	-	28,725	26,121
Fund Equity				
Cash fund balances	13,431	-	13,431	82,496
Total Liabilities and Fund Equity	\$ 42,156	-	42,156	108,617

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2013

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)	
			2013	2012
Revenues				
Local sources	\$ 118,855	35,561	154,416	151,115
State sources		2,281	2,281	2,473
Federal sources		96,487	96,487	143,149
Non-revenue receipts		9,613	9,613	
Total revenues	<u>118,855</u>	<u>143,942</u>	<u>262,797</u>	<u>296,737</u>
Expenditures				
Instruction		1,967	1,967	
Support services	109,667		109,667	148,017
Operation of non-instructional services		121,848	121,848	148,044
Facilities, acquisition and const. services	38,597		38,597	40,084
Other outlays		16,000	16,000	
Repayments		3	3	49
Total expenditures	<u>148,264</u>	<u>139,818</u>	<u>288,082</u>	<u>336,194</u>
Revenues over (under) expenditures	(29,409)	4,124	(25,285)	(39,457)
Other financing sources (uses)				
Transfers in (out)		(43,864)	(43,864)	70
Estopped warrants		84	84	(70)
Total other financing sources (uses)	<u>-</u>	<u>(43,780)</u>	<u>(43,780)</u>	<u>-</u>
Revenue and other sources over (under) expenditures and other uses	(29,409)	(39,656)	(69,065)	(39,457)
Cash fund balance, beginning of year	<u>42,840</u>	<u>39,656</u>	<u>82,496</u>	<u>121,953</u>
Cash fund balance, end of year	<u>\$ 13,431</u>	<u>-</u>	<u>13,431</u>	<u>82,496</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2013

	BUILDING FUND			CHILD NUTRITION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues						
Local sources	\$ 97,417	97,417	118,855	\$ 34,481	34,481	35,561
State sources				15,587	15,587	2,281
Federal sources	35,000	35,000		82,315	82,315	96,487
Non-revenue receipts						9,613
Total revenues	132,417	132,417	118,855	132,383	132,383	143,942
Expenditures						
Instruction						1,967
Support services	101,815	101,815	109,667			
Operation of non-instructional services				106,332	106,332	121,848
Facilities acquisitions and construction	41,571	41,571	38,597			
Other outlays				65,707	65,707	16,000
Repayments						3
Non-categorical	31,871	31,871				
Total expenditures	175,257	175,257	148,264	172,039	172,039	139,818
Revenues over (under) expenditures	(42,840)	(42,840)	(29,409)	(39,656)	(39,656)	4,124
Other financing sources (uses)						
Transfers in (out)						(43,864)
Estopped warrants						84
Total other financing sources (uses)			-			(43,780)
Revenue and other sources over (under) expenditures and other uses			(29,409)			(39,656)
Cash fund balance, beginning of year	42,840	42,840	42,840	39,656	39,656	39,656
Cash fund balance, end of year	\$ -	-	13,431	\$ -	-	-

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
JUNE 30, 2013

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2013	2012
<u>ASSETS</u>		
Cash	\$ 39,204	28,121
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Funds held for school organizations	\$ 39,204	28,121

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Activities</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Athletics	\$ 8,181	120,249		118,675	9,755
Annual	161	2,493		1,733	921
FFA	2,695	46,714		44,918	4,491
FCA	-	850		793	57
Scholarship	300	-		300	-
Miscellaneous	113	2,205		2,117	201
Flowers	27	-		-	27
Junior-Senior	286	1,181		852	615
Cheerleader	155	10,311		5,547	4,919
4-H	499	6,337		6,462	374
Library	2,466	2,064		4,133	397
Teachers Fund	8,462	29,057		27,211	10,308
Interest	26	205		231	-
Senior	3,442	31,783		31,609	3,616
Student Council	-	1,510		1,230	280
Counselor	303	530		607	226
JOM	754	-		120	634
Science	49	268		12	305
Cafe	158	-		-	158
Special Ed	44	307		231	120
Medical Reimbursement	-	1,800		-	1,800
TOTAL ASSETS - AGENCY FUNDS	<u>28,121</u>	<u>257,864</u>	<u>-</u>	<u>246,781</u>	<u>39,204</u>
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	<u>\$ 28,121</u>	<u>257,864</u>	<u>-</u>	<u>246,781</u>	<u>39,204</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/01/2012</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2013</u>
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
Title VIII Impact Aid - 2013	84.041	S041B134102	\$ 43,632		43,632	39,847	3,785
Title VIII Impact Aid - 2011	84.041	S041B114102	5,868	3,785	5,868	9,653	
Title VIII Impact Aid - 2010	84.041	S041B104102	1,556		1,556	1,556	
Title VIII Impact Aid - 2009	84.041	S041B094102	697		697	697	
Title VIII Impact Aid - 2008	84.041	S041B084102	1,715		1,715	1,715	
Title VIII Impact Aid - 2007	84.041	S041B074102	1,656		1,656	1,656	
Title VII-Part A, Indian Education	84.060	S060A123074	19,152		14,751	19,152	(4,401)
Rural School Achievement	84.358A	S358A123075	20,866		12,524	18,803	(6,279)
Subtotal			<u>95,142</u>	<u>3,785</u>	<u>82,399</u>	<u>93,079</u>	<u>(6,895)</u>
<u>Passed Through State Department of Education:</u>							
Title I-Part A, Improving Basic Programs	84.010		49,657		41,136	49,656	(8,520)
Title I-Part A, Improving Basic Programs 2011-12 - Note 1	84.010			(13,198)	13,198		
Title II-Part A, REAP	84.367		11,092		5,666	10,956	(5,290)
Title II-Part A 2011-12 - Note 1	84.367			(4,418)	4,418		
Special Education, Flowthrough, P.L. 105-17	84.027		53,352		44,582	53,231	(8,649)
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		1,488		1,237	1,237	
Special Education, Preschool 2011-12 - Note 1	84.173			(2,025)	2,025		
Education Jobs Funds 2011-12 - Note 1	84.410			(49,327)	49,327		
Subtotal			<u>\$ 115,589</u>	<u>(68,968)</u>	<u>161,589</u>	<u>115,080</u>	<u>(22,459)</u>
<u>U.S. Department of Agriculture:</u>							
<u>Passed Through State Department of Education:</u>							
Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				7,615	7,615	
Non-Cash Assistance Subtotal					<u>7,615</u>		
Cash Assistance:							
National School Lunch Program	10.555				66,562	66,562	
School Breakfast Program	10.553				29,925	29,925	
Cash Assistance Subtotal				-	<u>96,487</u>	<u>96,487</u>	-
Total For Program (Cluster)				-	<u>104,102</u>	<u>104,102</u>	-

INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/01/2012</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2013</u>
<u>Other Federal Assistance:</u>							
Johnson O'Malley	15.130		\$ 3,780		3,120	3,780	(3,780)
Johnson O'Malley 2011-12 - Note 1	15.130			(3,120)	3,211	3,211	
Medicaid	93.778		3,211		3,605	4,064	(459)
Rehabilitation Services	84.126		3,605		9,936	11,055	(4,239)
Subtotal			<u>10,596</u>	<u>(3,120)</u>			
Total Federal Assistance			<u>\$ 221,327</u>	<u>(68,303)</u>	<u>358,026</u>	<u>323,316</u>	<u>(33,593)</u>

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$7,615 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

INDEPENDENT SCHOOL DISTRICT I-1, HUGHES COUNTY
SCHEDULE OF SURETY BONDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Western Surety Company	Treasurer	70751050	\$100,000	7/1/12-7/1/13
	Superintendent	70334205	\$100,000	7/1/12-7/1/13
	Encumbrance Clerk	70751087	\$1,000	7/1/12-7/1/13
	Minutes Clerk	13368769	\$1,000	7/1/12-7/1/13
	Activity Fund	13447014	\$1,000	7/1/12-7/1/13



Jack H. Jenkins, CPA *A Professional Corporation*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education
Moss School District No. I-001
Holdenville, Oklahoma 74848-6237

I have audited the regulatory basis financial statements of Moss School District No. I-001, Holdenville, Oklahoma, as of and for the year ended June 30, 2013, and have issued my report thereon, dated October 3, 2013. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and qualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed three (3) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings. I also reported these matters to the District's management in a separate letter dated October 3, 2013.

The District's response to the findings identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

October 3, 2013

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2012 TO JUNE 30, 2013

Findings – Financial Statement Audit

13-01 – Treasurer Reports

Condition: During budget preparation on July 8, 2013, it was discovered the General Fund had a negative cash balance and had exceeded approved appropriations. A transfer of \$43,996 was approved from the Child Nutrition Fund into the General Fund as of June 30, 2013 to remedy the negative cash balance and a SA&I Form 150 was prepared to add appropriations of \$157,844 to the General Fund.

Criteria: The budget and available cash of the District should be monitored throughout the fiscal year and appropriations should be added prior to expenditures being incurred above the appropriations approved by the board.

Effect: The District could expend funds that it does not have, and exceed appropriations approved by the Board of Education and county excise board.

Recommendation: I recommend that the District Treasurer reconcile the bank statements to the financial software on a monthly basis and in a timely manner as well as inputting the correct approved appropriations into the financial software and monitor them throughout the year.

13-02 – Child Nutrition Fund

Condition: The Child Nutrition Fund was approved to be closed into the General Fund as of June 30, 2013 at an open meeting on July 11, 2013. On August 12, 2013, the Board of Education approved re-opening the Child Nutrition Fund as of August 1, 2013. Since the Child Nutrition Fund was not permanently closed and no loan agreement between the funds existed, the transfer of funds at June 30, 2013 from the Child Nutrition Fund to the General Fund was not an appropriate transfer.

Criteria: Transfers of funds between the Child Nutrition Fund and the General Fund should only occur with the existence of a board approved loan agreement between the funds or when the Child Nutrition Fund is permanently closed into the General Fund.

Effect: Inappropriate transfers could be made between funds.

Recommendation: I recommend that the District approve a loan agreement between the Child Nutrition Fund and General Fund if transfers between these funds are to be made during future fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
SCHEDULE OF FINDINGS
JULY 1, 2012 TO JUNE 30, 2013

Findings – Financial Statement Audit – cont'd

13-03 – Signed as Received

Condition: Several purchase orders had supporting documentation that was not signed as received.

Criteria: Supporting documentation should be signed or initialed and dated by a receiving agent of the District to signify that the goods or services have been received and payment can be made.

Effect: Invoices could be paid without goods or services being received.

Recommendation: That all invoices and/or delivery tickets be initialed and dated when merchandise is received or services are performed, as required by Oklahoma Statutes. (Reference: 62 O.S. 1981 § 310.1a and 70 O.S. 1981 § 5-135C)

**INDEPENDENT SCHOOL DISTRICT NO. 1-1, HUGHES COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2012 TO JUNE 30, 2013**

None.

INDEPENDENT SCHOOL DISTRICT NO. I-1, HUGHES COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2012 TO JUNE 30, 2013

The annual independent audit for the Moss School District, was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

[Signature]
Superintendent of Schools

10/14/13
Date of Board Meeting

Randy Fletcher
Board of Education President

[Signature]
Board of Education Clerk

Scott Pucc
Board of Education Vice President

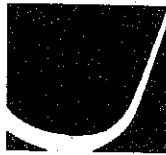
Jose M. [Signature]
Board of Education Member

Richard Rambo
Board of Education Member

Subscribed and sworn to before me on this 14 day of October, 2013.
My commission expires on 10 day of September, 2013.

[Signature]
Notary Public





Jack H. Jenkins, CPA *A Professional Corporation*

October 3, 2013

Moss Public Schools
Attn: Mr. Gil Turpin
8087 East 134 Rd.
Holdenville, OK 74848-6237

Dear Mr. Gil Turpin:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education, Oklahoma State Auditor and Inspector's Office and the Federal Clearinghouse within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains exceptions relayed to management that are immaterial instances of noncompliance with laws and regulations and which are included in the audit report. These comments requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

13-01 – Treasurer Reports

During budget preparation on July 8, 2013, it was discovered the General Fund had a negative cash balance and had exceeded approved appropriations. A transfer of \$43,996 was approved from the Child Nutrition Fund into the General Fund as of June 30, 2013 to remedy the negative cash balance and a SA&I Form 150 was prepared to add appropriations of \$157,844 to the General Fund.

I recommend that the District Treasurer reconcile the bank statements to the financial software on a monthly basis and in a timely manner as well as inputting the correct approved appropriations into the financial software and monitor them throughout the year.

13-02 – Child Nutrition Fund

The Child Nutrition Fund was approved to be closed into the General Fund as of June 30, 2013 at an open meeting on July 11, 2013. On August 12, 2013, the Board of Education approved re-opening the Child Nutrition Fund as of August 1, 2013. Since the Child Nutrition Fund was not permanently closed and no loan agreement between the funds existed, the transfer of funds at June 30, 2013 from the Child Nutrition Fund to the General Fund was not an appropriate transfer.

I recommend that the District approve a loan agreement between the Child Nutrition Fund and General Fund if transfers between these funds are to be made during future fiscal years.

13-03 - Signed as Received

I observed during the audit several purchase orders tested having supporting documentation that was not signed as received. Discrepancies were as follows:

General Fund: PO# 94, 100, 109, 123, 130, 150, 156, 192, 196

Building Fund: PO# 27, 79, 81

Child Nutrition Fund: PO# 6, 23, 28

I recommend that all invoices and/or delivery tickets be initialed and dated when merchandise is received or services are performed, as required by Oklahoma Statutes. (Reference: 62 O.S. 1981 §310.1a and 70 O.S. 1981 §5-135C)

The following section contains an audit exception and recommendation relayed to management that is a certain matter which was not included, but was referred to, in the audit report. This comment also requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

Federal Program Expenditures

I observed that the District did not code a sufficient amount of expenditures to match the revenue received for the following programs:

	Project	OCAS	SEFA	Ind. Cost	Diff.
Flowthrough	621	\$ 53,352.11	53,230.78	-	(121.33) *1
Medicaid	698	-	3,211.40	-	3,211.40 *2
Federal Lunch Reimbursement	763	65,174.14	66,562.29	-	1,388.15 *2
Federal Breakfast Reimbursement	764	2,739.11	29,924.92	-	27,185.81 *2

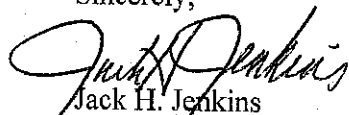
Explanation:

*1-Claimed, but not reimbursed. Added to program carryover.

*2-Expended, but not coded

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,



Jack H. Jenkins

Certified Public Accountant, P.C.

MOSS PUBLIC SCHOOL

ADMINISTRATION

Gil Turpin, Superintendent
Bobby Sifers, HIS Principal
Tina Cartwright, ES Principal

BOARD OF PRINCIPALS

8087 East 134 Road
Holdenville, Oklahoma 74848
405-379-2273 - Superintendent
405-379-7251 - Principals

SCHOOL BOARD

Randy Fletcher, President
Scott Price, Vice-President
John Weleh, Clerk
Jason Moody, Deputy Clerk
Richard Rambo, Member


November 20, 2013

To: Jenkins Audit Firm

From: Moss School Business Office

This Notice is to respond to the Audit Finding concerning Federal Collections and Expenditures not properly coded. The Business Office and Staff responsible for the coding error have added these amounts to the 2013-2014 school year and will track them by OCAS accounting. The Flow through amount has been added to the 2013-2014 budget.

Thank you,



Moss Public School Business Office Staff